

duct of the war. The silver bullet is scoring heavily. The material at hand for its making is still sufficient to give the Hun an additional shiver. This is our third war loan and we can keep up the pace.

CANADA'S WAR FINANCE POLICY

Posterity Must Bear Share of Burden, but We Can Provide Interest and Sinking Fund Charges

In discussing in his budget speech in February, 1915, the proper financial policy of a nation in time of war, Sir Thomas White, finance minister, said: "Some have strongly favored the policy of large borrowing; others have insisted that the cost of a war be defrayed by a nation at the time it is being waged. Obviously, in a war such as this the latter course would be impossible. The truth seems to be that it is not practicable for all nations to adopt the same policy or for any nation the same policy at all times. The circumstances and conditions of individual nations must be taken into consideration. If a country has much accumulated wealth, a policy of drastic taxation would appear to be advisable. With a country such as ours, rich in potential resources, certain of future development and great expansion of production and population, but without at present large accumulations of wealth, it would appear that the placing upon posterity the greater portion of the financial burden of this war is justifiable, waged as it is in the interests of human freedom, and for their benefit in equal if not in greater degree than for our own. Canada in future years of peace, with the prosperity which will be her heritage from the development of unbounded resources, will be well able to meet the interest and sinking fund charges upon such debt as we shall be obliged to incur in defence of our country and its liberties.

Utilize Only Necessary Taxation.

"Assuming that Canada's indebtedness on account of this war will reach \$500,000,000, at 5 per cent the annual interest will amount to \$25,000,000. This sum, with a substantial amount added yearly for a sinking fund, could be met, provided strict economy be practised by governments, from the future revenue of the Dominion. In national finance, if debts can be funded, the practical question is that of payment of annual interest. But while this is so, the fact must not be overlooked that debt is debt, a financial obligation and burden upon the body politic, whether owed to investors at home or abroad." Since these statements a year ago and the continuance of the war at an increasing cost, with peace negotiations apparently still some distance away, the debt on account of war may reach \$1,000,000,000. The arguments of the finance minister, however, apply equally to that amount as to the smaller sum of \$500,000,000.

To Encourage Agriculture.

In the same speech, Sir Thomas White said:—

"It is Canada's clear national duty and supremely in the interest of our credit to provide what we reasonably by taxation can without impairing our economic strength. To attempt more would mean too drastic taxation upon a community whose trade and commerce have been seriously interrupted and affected by war conditions and unduly heavy burdens upon a people already contributing generously of their substance to funds and organizations whose patriotic object is the comfort and well-being of our soldiers and the dependants they have left behind. In connection with taxation, there is another feature which we must also bear in mind—namely, that Canada is a country inviting immigration, and we must be careful not to create the impression that it is likely to become a country of heavy individual taxation. In this connection, it is opportune to state on behalf of the government and as enunciating its settled policy, that, in providing Canada's war expenditure, resort will not be had to taxation upon the farms, personal effects, or income of those engaged in our great basic industry of agriculture."

CANADA'S CREDIT REMARKABLY HIGH

United States Investors Have Given Ample Proof of Their Faith in Our Bonds

Canada's credit to-day is better on this continent than Great Britain's. Attention was drawn to this fact by Sir Thomas White, finance minister, in the House at Ottawa, on February 1st. We can sell our securities on a lower interest basis than Great Britain can sell her securities in the United States. Of course, Great Britain has offered no securities in Canada.

A year ago last fall the Imperial government put out in the United States a 5 per cent. five-year loan at 98, the underwriters taking a considerable portion of it at 96. That loan went down to 95, to 94, to 93. When Canada comes on the market with her securities, it is to a certain extent in competition with those Imperial securities and in competition with that market price, but the fact remains that Canada's credit to-day is better on this continent than Great Britain's credit.

On Five per Cent. Basis.

In the United States market Canadian credit is approximately on a 5 per cent. basis, the credit of foreign belligerents (where collateral is provided) a 6 per cent. basis, and on unsecured obligations a 7 per cent. basis, while that of the most important French cities is on a 7½ basis. Canada is deeply involved in the European war, its debt is rapidly increasing, yet United States investors in this unmistakable manner have shown their confidence in the Dominion's resources, in its integrity and in the soundness of its government securities.

An Interesting Comparison.

The following table, showing the selling prices (as on December 23rd last) of certain British and foreign bonds issued in the United States market since war commenced, is proof of these statements:—

	Due.	Issued at a price to yield %.
Canada 5's	1921	5.09
Canada 5's	1926	5.09
Canada 5's	1931	5.04
Great Britain 5's (secured)	1918	6.22
Great Britain 5½'s (secured)	1919	6.09
Great Britain 5½'s (secured)	1921	6.13
France (American Foreign Securities Company) 5's (secured)	1919	6.03
Anglo French 5's	1920	6.07
Russia 6½'s	1919	6.73
Russia 5½'s	1921	6.82
Paris 6's	1921	7.16
Bordeaux } Marseilles } 6's	1919	7.35
Lyons		

ADVANTAGES OF A 20-YEAR WAR BOND

The present war loan will mature in 20 years, a feature which will prove a great attraction to investors. The first loan was for 10 and the second for 15 years. Canadian credit for a period before the war ranged between 3½ and 4 per cent. Supposing that five years hence the credit of the Dominion is on a 4½ per cent. basis. At that time the first war loan bonds will have four years, the second bonds nine years, and the present bonds fifteen years to run. A 4½ per cent. rate for each of the three Canadian war loans will, therefore, be in 1922 a price of 101¼, 103½ and 105½, respectively.

Should the credit of the Dominion in 1922 be on a 4 per cent. basis these prices would in each case be increased to 103½, 107½ and 111¼, respectively.

"I want to see cheques hurtling through the air—fired from every city, town, village and hamlet throughout the land—fired straight into the entrenchments of the enemy."
—David Lloyd George.

"As you look for peace, for reparation, and for security, so lend freely to the utmost of your power."—Right. Hon. Reginald McKenna.